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ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1

**General Purpose Financial Statements
And Independent Auditor's Report
As of and for the Year Ended
December 31, 2002**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 10/1/03

KEITH J. ROVIRA
Certified Public Accountant

**ST. TAMMANY PARISH FIRE PROTECTION
DISTRICT NO. 1
Slidell, Louisiana
General Purpose Financial Statements
and Independent Auditor's Report
As of and for the Year Ended
December 31, 2002**

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
St. Tammany Parish Fire Protection District No. 1
A Component unit of the St. Tammany Parish Council
Slidell, Louisiana

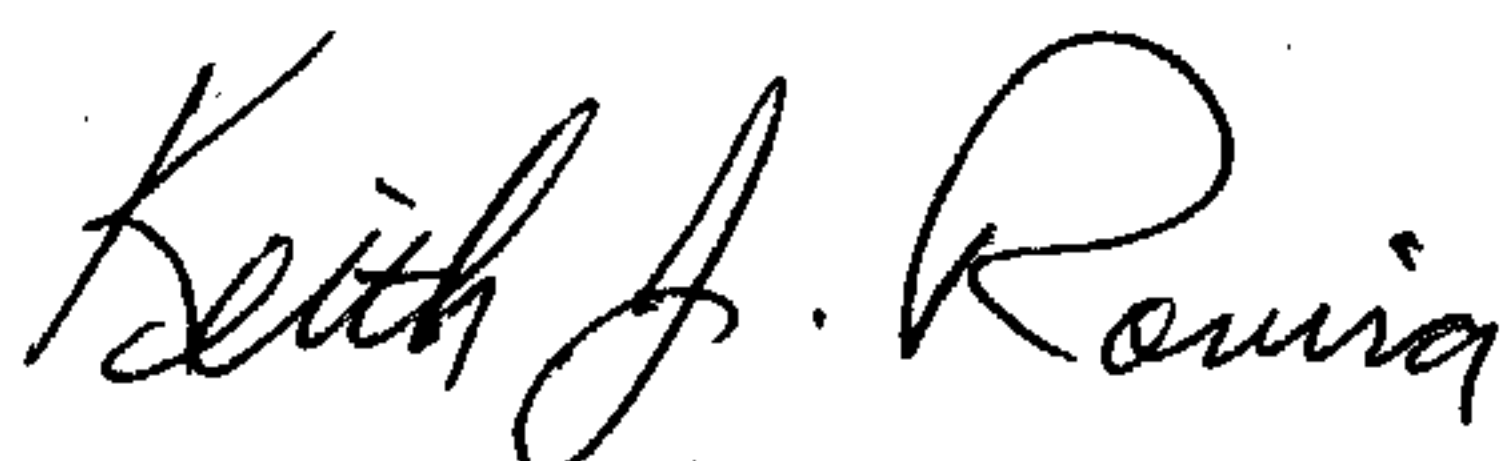
I have audited the accompanying general purpose financial statements of the St. Tammany Parish Fire Protection District No. 1, a component unit of the St. Tammany Parish Council, as of and for the year ended December 31, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the management of the St. Tammany Parish Fire Protection District No. 1. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the St. Tammany Parish Fire Protection District No. 1, as of December 31, 2002, and the results of operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued a report dated July 25, 2003, on my consideration of the St. Tammany Fire Protection District No. 1's internal control over

financial reporting and my tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

A handwritten signature in cursive script, reading "Keith J. Rovira". The signature is written in black ink and is positioned above the printed name and title.

Keith J. Rovira
Certified Public Accountant

July 25, 2003

GENERAL PURPOSE FINANCIAL STATEMENTS

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
 Slidell, Louisiana
 Balance Sheet - All Fund Types and Account Groups
 December 31, 2002

Statement A

	Governmental Fund - <u>General Fund</u>	Account Group - General Fixed <u>Assets</u>	Total (Memorandum Only) <u>Only)</u>
<u>ASSETS</u>			
Cash (Note C)	\$77,166	-	\$77,166
Investments (Note D)	1,690,463	-	1,690,463
Receivables:			
Ad valorem taxes	7,052,559	-	7,052,559
State revenue sharing	423,424	-	423,424
Accrued interest	19,136	-	19,136
Dispatch cost reimburse- ments	150,985	-	150,985
Prepaid insurance	26,761	-	26,761
Land, buildings and equipment (Note E)	<u>-</u>	<u>\$6,015,799</u>	<u>6,015,799</u>
TOTAL ASSETS	<u>\$9,440,494</u>	<u>\$6,015,799</u>	<u>\$15,456,293</u>
<u>LIABILITIES, EQUITY AND OTHER CREDITS</u>			
Liabilities:			
Accounts payable	\$100,294	-	\$100,294
Legal claims payable (Note H)	112,500	-	112,500
Payroll deductions payable	36,985	-	36,985
Pension deduction from ad valorem taxes	<u>200,400</u>	<u>-</u>	<u>200,400</u>
Total Liabilities	<u>450,179</u>	<u>-</u>	<u>450,179</u>
Equity and Other Credits:			
Investment in general fixed assets	-	\$6,015,799	6,015,799
Fund balance:			
Unreserved-undesignated	<u>8,990,315</u>	<u>-</u>	<u>8,990,315</u>
Total Equity and Other Credits	<u>8,990,315</u>	<u>6,015,799</u>	<u>15,006,114</u>
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	<u>\$9,440,494</u>	<u>\$6,015,799</u>	<u>\$15,456,293</u>

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1

Slidell, Louisiana

Statement of Revenues, Expenditures
and Changes in Fund Balances

General Fund

For the Year Ended December 31, 2002

Statement B

REVENUES

Ad valorem taxes	\$7,190,221
State revenue sharing	423,424
Tax on fire insurance premiums	156,617
Interest earnings	78,264
Reimbursements of dispatch costs	256,981
Miscellaneous	<u>2,825</u>
 Total Revenues	 <u>8,108,332</u>

EXPENDITURES

Salaries and related expenditures	6,171,029
Capital outlay	134,847
Construction of fire station	501,288
Repairs and maintenance	249,166
Deduction from ad valorem taxes for pension	200,400
Fire fighting equipment, supplies & related expenditures	289,937
Legal and professional services	160,050
Legal claims paid	112,500
Insurance - general liability	80,482
Office supplies	58,651
Telephone and utilities	87,082
Miscellaneous	<u>10,122</u>

Total Expenditures	<u>8,055,554</u>
 Excess of Revenues over Expenditures	 52,778
 Fund Balance, Beginning of Year	 <u>8,937,537</u>
 Fund Balance, End of Year	 <u>\$8,990,315</u>

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1

Slidell, Louisiana

Statement of Revenues, Expenditures and
and Changes in Fund Balance -

Budget (GAAP Basis) and Actual

General Fund

For the Year Ended December 31, 2002

Statement C

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>REVENUES</u>			
Ad valorem taxes	\$6,604,220	\$7,190,221	\$586,001
Intergovernmental revenue - state revenue sharing	430,000	423,424	(6,576)
Tax on fire insurance premiums	160,000	156,617	(3,383)
Interest earnings	160,000	78,264	(81,736)
Reimbursements of dispatch costs	230,000	256,981	26,981
Miscellaneous	<u>204,000</u>	<u>2,825</u>	<u>(201,175)</u>
Total Revenues	<u>7,788,220</u>	<u>8,108,332</u>	<u>320,112</u>
<u>EXPENDITURES</u>			
Salaries	4,869,392	4,867,454	1,938
Building maintenance	50,100	55,589	(5,489)
Deductions from ad valorem taxes	202,170	200,400	1,770
Dues and subscriptions	5,934	6,156	(222)
Employee schooling	79,812	41,145	38,667
Equipment maintenance	135,051	134,684	367
General liability insurance	82,141	80,482	1,659
Worker's compensation insurance	-	164,690	(164,690)
Group health insurance	625,000	570,225	54,775
Legal fees	70,953	70,953	-
Office supplies	58,417	58,651	(234)
Professional services	85,122	89,097	(3,975)
Legal claims paid	-	112,500	(112,500)
Gas and diesel fuel	42,000	40,719	1,281
Retirement - employer's contributions	467,650	467,089	561
Medicare taxes - employer's portion	59,034	59,367	(333)
Station supplies	17,069	17,078	(9)

(Continued)

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
Slidell, Louisiana

**Statement of Revenues, Expenditures and
and Changes in Fund Balance -
Budget (GAAP Basis) and Actual
General Fund**

For the Year Ended December 31, 2002

Statement C - Continued

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>EXPENDITURES (CONTINUED)</u>			
Bank charges	-	\$ 3,966	\$ (3,966)
Unemployment taxes	\$ 1,000	-	1,000
Telephone	47,000	33,860	13,140
Computer maintenance	50,000	47,259	2,741
Maintenance contracts	30,000	11,635	18,365
Miscellaneous	-	1,060	(1,060)
Safety equipment	178,014	187,963	(9,949)
Utilities	57,000	53,222	3,778
Contingency fund	80,377	-	80,377
Rescue items	14,340	15,011	(671)
Hazardous material	7,910	4,545	3,365
Volunteers' expenditures	11,516	11,816	(300)
Fire prevention	12,733	12,804	(72)
Capital outlay:			
Fire fighting equipment	2,510	2,090	420
Office equipment and furniture	96,700	22,215	74,485
Apparatus	100,000	-	100,000
Vehicles	-	-	-
Communications equipment	11,055	12,041	(986)
Computers	-	3,457	(3,457)
Construction	-	501,288	(501,288)
Bulkhead repair	-	82,725	(82,725)
Training facility	2,000	-	2,000
Rescue equipment	29,720	1,181	28,539
Hazardous material equipment	2,500	6,308	(3,808)
FEMA Grant expenditures	<u>204,000</u>	<u>4,829</u>	<u>199,171</u>
Total Expenditures	<u>\$7,788,220</u>	<u>8,055,554</u>	<u>(267,334)</u>
Excess of Revenues over Expenditures		52,778	<u>\$52,778</u>
Fund Balance, Beginning of Year		<u>8,937,537</u>	
Fund Balance, End of Year		<u>\$8,990,315</u>	

(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
Slidell, Louisiana
Notes to the Financial Statements
December 31, 2002

INTRODUCTION

The St. Tammany Parish Fire Protection District No. 1 was created by the St. Tammany Parish Council as provided by Louisiana Revised Statute 40:1492. The fire district is responsible for fire protection in the City of Slidell and the immediate surrounding area. The administration of the fire district is governed by a board of commissioners consisting of five members. Two members are appointed by the parish governing authority and two by the governing body of the municipal corporation in the fire district. The fifth member is selected by the other four members and serves as chairman. Vacancies are filled by the governing bodies making the original appointments. Board members serve two-year terms. The district operates seven fire stations within the district and provides fire protection services in an area covering approximately 120 square miles. In addition to fire protection service, the district also provides fire prevention service to the public.

Board members serve without compensation.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The accompanying general purpose financial statements of the St. Tammany Parish Fire Protection District No. 1 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

2. Reporting Entity

As the governing authority of the parish, for reporting purposes, the St. Tammany Parish Council is the financial reporting entity for St. Tammany Parish. The financial reporting entity consists of (a) the primary government (St. Tammany Parish Council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
Slidell, Louisiana
Notes to the Financial Statements
December 31, 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Tammany Parish Council for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. the ability of the council to impose its will on that organization, and/or
 - b. the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the council.
2. Organizations for which the council does not appoint a voting majority, but are fiscally dependent on the council.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Even though the district operates independently of the council, the exclusion from the council's financial statements would cause the council's financial statements to be misleading or incomplete. Also, the council's ability to impose its will on the district is indicated by the ability to remove appointed members of the district's board at will. Because of these reasons, the district is classified as a component unit of the St. Tammany Parish Council.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
Slidell, Louisiana
Notes to the Financial Statements
December 31, 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Fund Accounting

The district uses a fund (General Fund) and an account group (General Fixed Assets Account Group) to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions and activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The General Fund of the district is classified as a governmental fund. The General Fund accounts for the district's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. It is the general operating fund of the fire protection district. It accounts for all financial resources, except those required to be accounted for in other funds.

4. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The General Fund is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and liabilities generally are included on the balance sheet. Operating statements of this fund present increases and decreases in net current assets. The modified accrual basis of accounting is used by the General Fund, and it uses the following practices in recording revenues and expenditures:

Revenues --

Ad valorem taxes and the state revenue sharing are recorded in the year the taxes are assessed. Ad valorem taxes are assessed on a calendar year basis, become due on November 15 of each year, and become delinquent on December 31. The taxes are generally collected in December of the current year and January and February of the ensuing year.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
Slidell, Louisiana
Notes to the Financial Statements
December 31, 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest earnings on time deposits are recorded when the time deposits and investments have matured and the interest is available.

Substantially all other revenues are recorded when received.

Expenditures --

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

5. Budgets

The district published the proposed budget for the General Fund in the official journal on December 13, 15 and 18, 2001. A public hearing was held for the proposed budget on December 26 and 27, 2001, and the board adopted the budget on December 27, 2001. The budget is prepared and reported on the modified accrual basis of accounting. All appropriations lapse at year end. Formal budget integration within the accounting records is employed as a management control device during the year. Changes or amendments are made upon the approval of the board. Budgeted amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments.

6. Cash and Investments

Cash includes amounts in interest bearing demand deposits. Under state law, the district may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, and time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the district may invest in United States bonds, treasury notes and certificates, or repurchase agreements for these instruments. Investments are stated at cost.

7. Ad Valorem Tax Receivables

Ad valorem tax receivable is net of an uncollectible allowance of 3% of the revenue from ad valorem tax assessments. This estimate is based on prior years' experience.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
Slidell, Louisiana
Notes to the Financial Statements
December 31, 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Prepaid Insurance
Payments were made during the year for insurance that covered a period of several months beyond December 31, 2002. The portion of the payments applicable to the period after December 31, 2002, was recorded as prepaid insurance because the expenditure was not yet incurred as of that date.
9. Fixed Assets
Fixed assets are recorded as expenditures at the time purchased, donated, or constructed, and the related assets are capitalized and reported in the general fixed assets account group. Public domain or infrastructures are not capitalized. No depreciation has been provided on general fixed assets. Fixed assets purchased or constructed are valued at historical cost.
10. Compensated Absences
Employees of the fire protection district are entitled to 18 to 30 days of annual leave each year, depending on their years of service. Sick leave is granted to each regular employee for a period of not more than 52 weeks. The cost of current leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current-year expenditure in the General Fund when leave is actually taken. Annual and sick leave cannot be carried over; therefore, there are no accumulated leave benefits required to be reported in accordance with GASB Codification Section C60.
11. Encumbrances
The district does not use encumbrance accounting.
12. Total Columns on Financial Statements
The total columns on the statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
Slidell, Louisiana
Notes to the Financial Statements
December 31, 2002

NOTE B - LEVIED TAXES

The district authorized and levied a 35-mill ad valorem tax for operations and maintenance for the year.

The following are the principal taxpayers of the district:

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2002 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Central La. Elect. Co.	Utility	\$11,248,630	5.41%
BellSouth Inc.	Telephone	7,187,970	3.46
McKesson Corp.	Pharmaceutical	4,080,300	1.96
Hibernia National Bank	Banking	3,167,860	1.53
Sizeler Northshore Ltd.	Developer	2,609,040	1.26
Banc One Management Grp.	Financial	2,599,830	1.25
Atmos Energy of La.	Utility	2,398,871	1.15
Northshore Regional Med.	Medical Ctr.	2,023,160	.97
Healthcare Prop. Ptrs.	Healthcare	1,600,520	.77
Walmart Real Estate Bus.	Real Estate	<u>1,593,410</u>	<u>.77</u>
		<u>\$38,509,591</u>	<u>18.53%</u>

The total assessed valuation for all taxpayers at December 31, 2002 was \$207,800,235. This figure was used in calculating the percentage of the "assessed valuation of each of the ten largest taxpayers" listed above to the "total assessed valuation for all taxpayers."

NOTE C - CASH

At December 31, 2002, the carrying amount (book balance) of all cash of the district is as follows:

Interest bearing demand deposit account	\$77,066
Petty cash	<u>100</u>
Total	<u>\$77,166</u>

These deposits are stated at cost, which approximates market.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
Slidell, Louisiana
Notes to the Financial Statements
December 31, 2002

NOTE C - CASH (CONTINUED)

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2002, the district had \$169,398 in deposits (collected bank balances). These deposits were secured from risk by federal depository insurance totaling \$100,000. The deposits that were secured by pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3) totaled \$69,398.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

NOTE D - INVESTMENTS

At December 31, 2002, the district had investments with a total carrying value at cost of \$1,690,463, and a market value of \$1,711,367. These investments are considered uninsured and unregistered. In addition, they are held in the name of the district in the financial institutions safekeeping department. In accordance with GASB Codification Section I50.164, these investments would fall under Category 2 when defining credit risk.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
Slidell, Louisiana
Notes to the Financial Statements
December 31, 2002

NOTE E - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance January 1, 2002	Additions	Deductions	Balance December 31, 2002
Land	\$415,142	-	-	\$415,142
Buildings	1,550,168	\$589,480	-	2,139,648
Equipment and furniture	<u>3,503,442</u>	<u>12,734</u>	<u>\$55,167</u>	<u>3,461,009</u>
Total	<u>\$5,468,752</u>	<u>\$602,214</u>	<u>\$55,167</u>	<u>\$6,015,799</u>

NOTE F - PENSION PLAN

Plan Description - Louisiana Firefighters' Retirement System
All full-time employees of the St. Tammany Parish Fire Protection District No. 1 are members of the Louisiana Firefighters' Retirement System (System), a cost-sharing, multiple-employer defined benefit plan administered by a separate board of trustees.

Membership in the Louisiana Firefighters' Retirement System is mandatory for all full-time firefighters employed by a municipality, parish or fire district that did not enact an ordinance before January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to three and one-third percent of their final-average salary for each year of creditable service, not to exceed 100 percent of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service stated above and do not withdraw their employee contributions may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination.

The System also provides death and disability benefits. Benefits are established by state statute.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
Slidell, Louisiana
Notes to the Financial Statements
December 31, 2002

NOTE F - PENSION PLANS (CONTINUED)

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Louisiana Firefighters' Retirement System, Post Office Box 94095, Baton Rouge, Louisiana 70804, or by calling (504) 925-4060.

Funding Policy

For the twelve months ended December 31, 2002, members of the System are required to contribute 8.0% of their annual covered salary and the district (employer) is required to contribute at an actuarially determined rate. For the period January through November, 2002, inclusive, the employer contribution rate was 9.0% of annual covered payroll. For the month of December, 2002, the employer contribution rate increased to 18.25%, however, this rate was offset by monies received from the State of Louisiana which amounted to a refund of employer contributions of 9.25%. The contribution requirements of plan members and the district are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

The amount of fire district's employer contributions to the System for the years ended December 31, 2002, 2001 and 2000, were \$467,089, \$449,830 and \$421,904, respectively. These amounts equaled the required contribution amounts for those years.

NOTE G - LEASE COMMITMENTS

On November 4, 2002, the fire district entered into a capital lease agreement for the purchase of two fire trucks for a five-year term at an annual interest rate of 4.19%. Capital lease payments do not begin until 2003. When the district actually receives the fire trucks, they will be recorded as a fixed asset and corresponding liability will be set up on the district's books. The following is a schedule by years of future minimum lease payments under

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
 Slidell, Louisiana
 Notes to the Financial Statements
 December 31, 2002

NOTE G - LEASE COMMITMENTS (CONTINUED)

this capital lease together with the present value of the net minimum lease payments as of December 31, 2002:

<u>Year</u>	
2003	\$128,787
2004	128,787
2005	128,787
2006	128,787
2007	<u>128,787</u>
Net minimum lease payments	643,935
Less: Amount representing interest	<u>(73,647)</u>
Present value of net minimum lease payments	<u>\$570,288</u>

The General Fund will pay for all capital leases out of its current operating revenues. There were no other capital or operating leases outstanding at year-end.

NOTE H - LITIGATION

As of December 31, 2002, the fire district was involved in several lawsuits. During the May 16, 2003 meeting, the fire district's Board of Commissioners voted to accept a settlement for a legal claim against it. The fire district's portion of the settlement was \$112,500, and this amount was recorded as a liability on the fire district's Balance Sheet with a corresponding expenditure on its Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund as of December 31, 2002.

For all other pending litigation against the fire district, its legal counsel does not believe that the fire district will incur an unfavorable outcome as a result of any future litigation in these cases. In addition, other than the liability mentioned in the preceding paragraph, the fire district does not believe that a liability of a material nature has been incurred, nor has any of its assets been materially impaired as a result of these lawsuits.

SUPPLEMENTAL INFORMATION SCHEDULES

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 1
Slidell, Louisiana
Supplemental Information Schedules
Summary Schedule of Prior Audit Findings and
Corrective Action Plan for Current Year Audit Findings
For the Year Ended December 31, 2002

I have audited the accompanying basic financial statements of the St. Tammany Parish Fire Protection District No. 1 as of and for the year ended December 31, 2002, and have issued my report thereon dated July 25, 2003. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. My audit of the financial statements as of December 31, 2002, resulted in an unqualified opinion.

Section I - Summary of Auditor's Report and Findings

Current-Year Audit (December 31, 2002) Findings

There were four current-year audit findings that were required to be reported. Two instances were material weaknesses in the internal controls of the fire district that would be reportable conditions which require disclosure in the current-year's audit report (Finding Nos. 1 and 2), and two were material noncompliance issues with certain provisions of laws, regulations and contracts of the fire district that would be reportable conditions which require disclosure in the current-year's audit report (Finding Nos. 3 and 4).

Prior-Year Audit (December 31, 2001) Findings

There were eleven prior-year audit findings. Five instances were material weaknesses in the internal controls of the fire district that were reportable conditions which required disclosure in the prior-year's audit report (Finding Nos. 5 through 9), and six instances were material noncompliance issues with certain provisions of laws, regulations and contracts of the fire district that would be reportable conditions which require disclosure in the prior-year's audit report (Finding Nos. 10 through 15).

During the December 31, 2002 year-end audit, I followed up on the fire district's "status of completion" for each finding from the "prior" audit year (December 31, 2001) and noted my results at the end of each of those Findings Nos. 5 through 15.

There were no other findings required to be reported, and no management letter was issued for the current, or prior, audit periods. The fire district did not receive any federal funds during the twelve months ended on December 31, 2002.

Contact Person The contact person for theses findings is Mr. Calvin Kline, Chairman of the Board of Commissioners of the St. Tammany Parish Fire Protection District No. 1, 554 Old Spanish Trail, Slidell, Louisiana 70458.

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Section II - Financial Statement Findings

(For the Year Ended December 31, 2002 - Current Audit Year)

Finding No. 1 (Fixed Asset Controls)

Fiscal Year Finding Initially Occurred: December 31, 2002.

Findings Described and Recommendations: Several weaknesses were found in the area of fixed assets of the fire district:

(1) During the testing of fixed assets, it became apparent that the Master Fixed Assets List was not being kept up-to-date. Certain location codes on the list were not changed or updated to reflect the transfer of a fixed asset from one physical location to another. This prevents easy access to, and location of, fixed assets during the year.

(2) Obsolete and useless computer and radio equipment and other items are not being listed and presented to the Board for their approval to surplus and/or disposition.

(3) Not enough time and attention is being devoted "during" the year to tracking and recording fixed assets and all data on the addition, deletion, and transfer from one location to another.

Management's Response and Plan of Corrective Action:

This is a rapidly growing Fire District, and fixed asset control must be updated. Presently, we are looking at appointing an "Inventory Control Officer" whose main job will be to account for, record the addition, deletion, location, transfer of any and all fixed assets of the Fire District.

Anticipated Completion Date: December 31, 2003

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Section II - Financial Statement Findings (Continued)

Finding No. 2 (Inadequate Segregation of Duties)

Finding Described and Recommendations: The size of the fire district's operations and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal accounting control.

This finding is a material weakness in the internal control structure of the fire district. It is a reportable condition for financial statement purposes in that the design or operation of one or more of the internal control components of the fire district does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Management's Response and Plan of Corrective Action:

This is another problem that has been identified and is being looked at at the Board of Commissioners level. Presently, the only way to adequately segregate duties would be to have a greater number of administrative employees. This may be one avenue we will approach. However, presently, we are looking at out-sourcing much of the personnel and pay involvement of the District. Meetings have been held and hopefully decisions will be made.

Anticipated Completion Date: March, 2004

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Section II - Financial Statement Findings (Continued)

Finding No. 3 (Advance Payment Made on Consulting Contract)

Fiscal Year Finding Initially Occurred: December 31, 2002

Finding Described and Recommendations: The fire district violated article 7, section 14 of the Louisiana Constitution of 1974 by making a \$9,000.00 "advance" payment to a consulting firm before any actual services were rendered by the outside firm. In addition, the formal contract from the consulting firm had not yet been signed by a representative of the firm at the time that the payment was made. Article 7, section 14 states, "Except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private."

I recommend that for all future professional service contracts, the Board establish procedures for the request for bids from potential proposers, the examination of the bids and final award of the contract. Any written contractual agreement between the outside entity and the fire district should be approved by resolution of the Board of Commissioners of the fire district at one of its regular meetings. In addition, procedures should be implemented to prevent payments to any person or entity which would constitute a violation of article 7, section 14 of the Louisiana Constitution.

Management's Response and Plan of Corrective Action:

The Board of Commissioners does not believe they have violated Article 7, Section 14 of the Louisiana Constitution of 1974 by making a \$9,000 payment to a consulting firm. This payment was actually a retainer to be used for initial costs of travel and setting up the parameters of the examination of the Fire District. Since services are not covered by the Public Bid law, it makes no sense to make a request for bids as the field is highly specialized and there are not many consultants available.

Anticipated Completion Date: Not applicable.

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Section II - Financial Statement Findings (Continued)

Finding No. 4 (Audit Report Issued Late)

Fiscal Year Finding Initially Occurred: December 31, 2002

Finding Described and Recommendations: Louisiana revised statutes require that the fire district submit its annual audit to the office of the Louisiana Legislative Auditor on or prior to June 30th of the year following the year being audited. This year the fire district was unable to meet the December 31, 2002 audit deadline of June 30, 2003.

Management's Response and Plan of Corrective Action:

The Board of Commissioners, because of problems with appointments by the local governing authorities, did not meet from approximately October, 2002 through February, 2003. The first set of proposals for an auditor were opened by the Board but were not deemed acceptable and a second set of proposals were solicited. The firm that was selected by the Board was not approved by the Louisiana Legislative Auditors office and the Fire District was instructed to continue to utilize the services of auditor Keith J. Rovira. The new Board of Commissioners will insure that the audit report will not be issued late.

Anticipated Completion Date: September 18, 2003

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Section II - Financial Statement Findings (Continued)

(For the Year Ended December 31, 2001 - **Prior** Audit Year)

Note: According to the Board of Commissioners, it believes that responses provided by management for the issues/findings listed in the December 31, 2001 (Prior Year) audit are sufficient.

Therefore, "Management's Response and Plan of Corrective Action" is exactly the same as was listed in last year's (December 31, 2001) audit.

During the December 31, 2002 year-end audit, I followed up on the fire district's "status of completion" for each finding from the "prior" audit year (December 31, 2001) and noted my results at the end of each of those Findings Nos. 5 through 15.

Finding No. 5 (Reimbursement of Dispatch Costs)

Fiscal Year Finding Initially Occurred: December 31, 2001

Finding Described and Recommendations: Through its communication facility located in Slidell, Louisiana, the fire district provides dispatching services for fire and emergency medical service calls for its own district (No. 1) and the following fire districts in St. Tammany Parish: Nos. 2, 3, 4, 7, 11 and 12. Each of these fire districts is obligated by an agreement dated October 16, 2000 to pay, in the form of a "participant's fee" each month, its share of annual dispatch costs incurred by Fire District No. 1 to employ and operate the facility. As of December 31, 2002, fire district No. 1 had not received all amounts due to it for reimbursement from several fire districts. The effect of this weakness in internal controls is that the taxpayers of Fire District No. 1 could end up absorbing a disproportionate share of the costs associated with dispatching fire and emergency medical service calls for other fire districts in St. Tammany Parish.

Fire District No. 1 needs to pursue collection of the amounts to be received for reimbursement from each fire district in a more timely

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Section II - Financial Statement Findings (Continued)

Finding No. 5 (Reimbursement of Dispatch Costs - Continued)

manner. All fire districts should remit their payments to fire district No. 1 each month in accordance with the agreement they signed.

Management's Response and Plan of Corrective Action: After costs were projected including salaries and benefits, maintenance, utilities, etc., each fire district assumed a prorated portion of the cost based on call volume. Invoices were mailed to each participating fire district monthly. Some fire districts paid, some did not. "Second Request" invoices were also mailed out when necessary. During the 2001 audit, the auditor stated that we are not in the business of collections and since the amount did not vary monthly, to only mail out one invoice at the beginning of the year.

The same projection was used for 2002 that was calculated for 2001. Again invoices were mailed out. This matter has been referred to our attorney for collection.

A revised projection for 2003 has been prepared due to the increase in dispatchers in the communications center and the addition of a supervisor position. This cost projection will be distributed to each participating fire district. As collection problems arise, they will also be referred to our attorney.

Anticipated Completion Date: Immediately.

Status of Completion: Not completely resolved.

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Section II - Financial Statement Findings (Continued)

Finding No. 6 (Policies and Procedures of the Fire District
and its Board of Commissioners)

Fiscal Year Finding Initially Occurred: December 31, 2001

Finding Described and Recommendations: The fire district needs to strengthen the documentation of its procedures in the areas of general transaction processing and record maintenance and retention. In addition, the taped minutes of several past Board of Commissioner meetings were missing, and the written minutes were not complete enough to answer questions that had arisen during the audit.

The Board of Commissioners should ensure proper recordkeeping including minutes of meetings of Commissioners to provide evidence of adherence to the required protocol of public corporations. Further, all required actions, resolutions, notices, etc. of the Board should be properly issued, authorized, implemented as appropriate, documented, and adequately preserved and maintained for future use and access by the fire district and the general public. All board members and employees of the fire district should adhere to the fire district's required protocol before personally undertaking any actions which may affect the fire district, its assets, its personnel and any of its policies, procedures, rules and regulations.

The fire district is in need of a more up-to-date and comprehensive Policies and Procedures Manual for its accounting and administrative operations. A "policy" is a definite course or method of action to guide and determine present and future decisions. It is a guide to decision making under a given set of circumstances within the framework of management's objectives, goals and philosophies. A "procedure" is a particular way of accomplishing something, an established way of doing things, a series of steps followed in a definite regular order. It ensures the consistent and repetitive approach of actions. A properly implemented manual can strengthen the fire district's internal control structure, both financially and administratively, along with providing it with a plan of action to plan and organize methods and measures to safeguard its assets, check the accuracy and reliability of its accounting data, promote organizational

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Section II - Financial Statement Findings (Continued)

Finding No. 6 (Policies and Procedures of the Fire District
and its Board of Commissioners - Continued)

efficiency and encourage adherence to prescribed managerial policies.

Management's Response and Plan of Corrective Action: We are in the process of developing a record retention policy. In the past, only audio recordings of Board of Commissioners meeting were kept. We are now videotaping these meetings with improved microphone speakers. Some of these audio tapes were recorded over with another board meeting several years later. All written minutes as well as all audio and video tapes will be kept indefinitely in a locked storage cabinet.

The Board will be more specific when making motions and/or resolutions at its meetings keeping in mind the intent of the Board's action. I will additionally propose to the Board that we enlist an outside consultant to develop a policies and procedures manual for the Board of Commissioners.

Anticipated Completion Date: Immediately.

Status of Completion: Not completely resolved.

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Section II - Financial Statement Findings (Continued)

Finding No. 7 (Certain Fire District Employees Received Compensation for Salary Benefits That Were Not a Part of the Fire District's Written Salary and Benefit Policy)

Finding Described and Recommendations: A material weakness exists in the fire district's internal control structure as it relates to the Board of Commissioner's authorization, calculation and actual payment of the salaries of certain employees.

During my examination of the payroll records, I discovered that the fire district paid certain office staff employees of the fire district for a salary benefit called "comp. time" (compensatory time) and in some instances also "merit pay". During the period I examined, January, 1996 to May, 2002, the fire district did not have any "written" policies or procedures in its rules and regulations for the payment of compensatory time to any employee or for the payment of merit pay to any "office" employees.

Regarding compensatory time pay, I was told by office staff employees that there was a long-standing verbal agreement between them and fire district that the payment of their accumulated compensatory time was the fire district's way of compensating them for time they worked over and above their regular full-time work day. I discovered that certain office staff employees received compensation for accumulated compensatory time during the period January 1, 1996 to December 31, 2000. In some cases the amounts received were significant in relation to the individuals' gross pay. The hours compensated for were paid to those employees using their regular hourly rates in effect at the times they were paid. In addition, some of these employees received payment for "overtime" hours they apparently worked during the same period of time.

In a separate issue that I came across during my audit testing for the current annual audit for the twelve month's ended December 31, 2001, I found that the current Chief Administrative Officer received payments totaling \$1,200.00 during 2001 for a salary benefit called merit pay. Upon further examination, I discovered that during the years ended December 31, 1998, 1999, 2000 and 2002, he also received amounts for merit pay totaling \$500, \$1,200,

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Section II - Financial Statement Findings (Continued)

Finding No. 7 (Certain Fire District Employees Received
Compensation for Salary Benefits That Were
Not a Part of the Fire District's Written
Salary and Benefit Policy - Continued)

\$1,300, and \$400, respectively. In the July 29, 1998 minutes of the Board of Commissioners regular meeting, the Board passed a resolution "... to approve merit pay for those employees having an associates degree in fire technology ...". The Chief Administrative Officer does not have a degree in fire technology, however, he contends that he was entitled to the merit pay amounts because his interpretation of employee's eligibility for merit pay was that an employee could qualify by having a degree in his respective field.

I recommend that any change with an employee's compensation amount or benefit package, etc. be immediately documented in that employee's personnel file with an effective date noted. Also, I recommend that any Board-approved change in any employee's compensation structure or benefit package be itemized and defined in word format and calculated by a specific formula and/or referenced to the Board-approved "base wage" pay schedule in effect at the time the change is to become effective.

I recommend that any payment for any type of compensation, or the granting of any additional benefits, to any fire district employee, or group or class of employee, be approved by resolution at a regular of the Board of Commissioners. The compensation and benefit packages of each office and administrative staff position/employee should be clearly documented in writing, signed in agreement by each employee and the Fire Chief, and included as a part of each employee's personnel file.

The facts and circumstances of all the issues in this finding should be forwarded to the St. Tammany Parish District Attorney's office for his investigation, review and conclusion.

Management's Response and Plan of Corrective Action: Compensatory time was accumulated and documented over several years. This time was a result of additional work hours over and above the typical 40 hour week, including attending board meetings, additional work for audit preparation, etc. This time was not paid in a lump sum. Rather, it was paid out gradually over several subsequent years until exhausted.

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Section II - Financial Statement Findings (Continued)

Finding No. 7 (Certain Fire District Employees Received
Compensation for Salary Benefits That Were
Not a Part of the Fire District's Written
Salary and Benefit Policy - Continued)

(Merit Pay) After it was brought to my attention and I researched the minutes, I discovered that merit pay only applied to an associate's degree in fire technology. It was my understanding, that, so not to discriminate against other divisions such as administration, communications, fire prevention, etc., that "a degree in your applicable field" would also qualify an employee for merit pay. This was discussed many times at civil service board meetings, Board of Commissioners meetings and staff meetings.

Anticipated Completion Date: Has already been accomplished.

Status of Completion: Resolved.

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Section II - Financial Statement Findings (Continued)

Finding No. 8 (Unauthorized Salary Increase of Employee)

Finding Described and Recommendations: A material weakness exists in the fire district's internal control structure as it relates to the authorization, calculation and actual payment of the salaries of certain employees.

During the year 2000, and after her change to a new position, the Administrative Assistant to the Fire Chief asked the bookkeeper of the fire district to input a pay increase adjustment for her effective on July 15, 2000. The bookkeeper implemented the increase. Apparently, the Board of Commissioners did not authorize this pay raise, and it required her to repay the full amount back in year 2001. The amount of repayment totaled \$864.85. The Slidell Police Department investigated this issue in October, 2000 and issued their report. After reviewing all the evidence, the Slidell Police Department concluded that there was no evidence to support that the crime of theft occurred.

No action should be taken, or payments made, for salary or benefit changes without the full written approval of the Board of Commissioners and the Fire Chief and agreement by the employee affected by the change.

I recommend that any change with an employee's compensation amount or benefit package, etc. be immediately documented in that employee's personnel file with an effective date noted. Also, I recommend that any Board-approved change in any employee's compensation structure or benefit package be itemized and defined in word format and calculated by a specific formula and/or referenced to the Board-approved "base wage" pay schedule in effect at the time the change is to become effective.

I recommend that any payment for any type of compensation, or the granting of any additional benefits, to any fire district employee, or group or class of employee, be approved by resolution at a regular meeting of the Board of Commissioners. The compensation and benefit packages of each office and administrative staff position/employee should be clearly documented in writing, signed in agreement by each employee and the Fire Chief, and included as a part of each employee's personnel file.

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Section II - Financial Statement Findings (Continued)

Finding No. 8 (Unauthorized Salary Increase of Employee -
Continued)

Management's Response and Plan of Corrective Action: When information was received by the Board of Commissioners that the Administrative Assistant to the Fire Chief had given herself a raise without authority, the matter was given to the Slidell Police Department. An investigation revealed no criminal involvement. The Board administratively had the employee reimburse the District the funds illegally taken. The Board adopted procedures that require a resolution, properly documenting in writing and signed by the Chairman, Fire Chief and employee, any change in salary or benefits of any employee. The resolution shall be in the minutes of the Board, with a copy in the employees' personnel file.

Anticipated Completion Date: Immediately.

Status of Completion: Resolved.

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Section II - Financial Statement Findings (Continued)

Finding No. 9 (Inadequate Segregation of Duties)

Finding Described and Recommendations: The size of the fire district's operations and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal accounting control.

This finding is a material weakness in the internal control structure of the fire district. It is a reportable condition for financial statement purposes in that the design or operation of one or more of the internal control components of the fire district does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Management's Response and Plan of Corrective Action: The segregation of duties has always been an issue in our small environment. The solution to real segregation of duties is cost prohibitive. However, we recognized that our work force has grown and we will make every effort as we prepare the District's 2003 budget to hire an additional person to help segregate duties. The Fire Chief was placed in charge of the administrative staff in 2001 to add another layer of supervision in house.

Anticipated Completion Date: Currently being looked into by the Fire Chief.

Status of Completion: Not completely resolved.

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Section II - Financial Statement Findings (Continued)

Finding No. 10 (Personal Use of Fire District Cell Phones)

Finding Described and Recommendations: The fire district violated article 7, section 14 of the Louisiana Constitution of 1974 by providing cell phones to two members of the fire district's Board of Commissioners and one of these Commissioner's wives. In addition, a material weakness exists in the fire district's internal control structure in that the fire district does not have an adequate written policy and procedure for the use of cell phones, and it does not monitor and document the personal use of its cell phones.

The fire district utilizes two different cell phone service companies, Alltel and Nextel. The fire district did not have in its files detail cell phone call records for the Nextel service provider, but did have detail records for Alltel. For an additional monthly charge, Nextel will provide detail cell phone call records.

Two members of the fire district's Board of Commissioners and one of these Commissioner's wives were all provided cell phones by the fire district. Neither one of these three individuals are employees of the fire district. Based on my examination of the Alltel and Nextel detail cell phone call records available, it appears as though these individuals used the cell phones for personal matters, as well as, fire district matters. The actual number of minutes of personal usage can only be arrived at by an extensive analysis and inquiry of each phone call made, however, this is out of the scope of my engagement here, and would be cost prohibitive to the fire district for me to perform that extensive and detailed of an examination. However, if necessary, fire district staff could be utilized for this task with my supervision. It should be noted that the fire district has received full reimbursement for the charges it incurred on behalf of the Commissioner's wife's cell phone totaling \$927.44.

If the fire district chooses to provide cell phones to its employees, I recommend that it do so only to those employees who specifically need this equipment to carry out their duties in the scope of their employment with the fire district. Furthermore, if the fire district chooses to allow these employees to make personal

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Section II - Financial Statement Findings (Continued)

Finding No. 10 (Personal Use of Fire District Cell Phones -
Continued)

phone calls on the cell phones, then the fire district has the responsibility to monitor and document all cell phone usage and determine which calls are of a personal nature and which calls are of a specific benefit to the fire district in carrying out its operations in accordance with Louisiana laws. The employees have the responsibility to immediately reimburse the fire district on a monthly basis for all personal calls they make using a "predetermined rate" for each minute of personal cell phone usage. The predetermined rate should be calculated based on the total cost of cell phone minutes purchased from each cell phone service provider including the base monthly charge for all minutes. The fire district should develop a policy and procedure for the use of all fire district equipment, including but not limited to cell phone usage by fire district employees.

Concerning the two Commissioners' use of fire district cell phones, I suggest that the fire district discontinue providing cell phones to any Commissioner of the board and to any employee who cannot show that their use of fire district cell phones is clearly in the best interest of the public and the fire district in carrying out its operations.

Finally, for past personal cell phone call usage by the two Commissioners, the fire district staff can make an accounting of these Commissioners' personal use of cell phones and request reimbursement from them. The period of time covered by this accounting can be determined as this process evolves.

Management's Response and Plan of Corrective Action: The Fire Chief issued a directive which was agreed to by the Board of Commissioners that no cell phones be issued to any person other than employees who would be issued on a need basis. The Chairman has advised the Fire District Administrative Staff to make an accounting of the Commissioner's personal use of cell phones and request reimbursement from them.

Anticipated Completion Date: The directive of no cell phones being issued to Commissioners was made in August 2002. The accounting of the Commissioner's personal use of cell phone audit is presently underway.

Status of Completion: Resolved.

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Section II - Financial Statement Findings (Continued)

Finding No. 11 (Payment of Health Insurance Costs of the
Former Retired Fire Chief and His
Dependent(s) Without a Formal
Postretirement Plan in Effect)

Finding Described and Recommendations: The fire district violated article 7, section 14 of the Louisiana Constitution of 1974 by paying for the costs of a retired employee's health insurance coverage without there first being in effect a formal postretirement benefit plan adopted by a resolution of the Board of Commissioners at one of its regular meetings. This should apply to health insurance costs for an employee, a retiree and any of their dependents.

I requested and received copies of the fire district's monthly group health insurance premium invoices from the three insurance companies that the fire district used for health insurance coverage for the period June 1999 through September 2002. I also requested and received copies of the former retired Fire Chief's applications for health insurance coverage for those three health insurance companies, and examined all the documents. I requested and received copies of fire district's deposit slips for the period June 1999 through September 2002, for the purpose of determining what amounts that the former retired Fire Chief has reimbursed the fire district for his health insurance coverage costs. I searched through the minutes of Board of Commissioners meetings around the former retired Fire Chief's retirement date on June 1, 1999.

From my examination of the records available to me on this issue, I have concluded the following: (1) the former Fire Chief retired from the fire district as an employee effective June 1, 1999, as indicated on his Personnel Action form located in his personnel file; (2) the fire district does not have a written policy and procedure to pay for any retired employee's health insurance coverage cost; (3) the fire district has had three different health insurance carriers during the period June 1, 1999 to present date; (4) under one health insurance company's policy for the period June 1, 1999 through December 31, 2000, the fire district paid the former retired Fire Chief's monthly health insurance premiums apparently for himself, his spouse, and his two children - the total of these nineteen monthly premiums equaled \$8,550.44;

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Finding No. 11 (Payment of Health Insurance Costs of the
Former Retired Fire Chief and His
Dependent(s) Without a Formal
Postretirement Plan in Effect - Continued)

(5) under another health insurance company's policy for the period January 1, 2001 through December 31, 2001, the fire district paid the former retired Fire Chief's monthly health insurance premiums apparently for himself and one of his children - the total of these twelve monthly premiums equaled \$3,743.28; (6) under the third and current health insurance company's policy for the period January 1, 2002 through September 30, 2002, the fire district paid the former retired Fire Chief's monthly health insurance premiums on just himself - the total of these nine monthly premiums equaled \$1,549.53; (7) for the period July 1, 2001 to September 2002, the former retired Fire Chief has reimbursed the fire district a total of \$2,442.27 for monthly health insurance coverage premium costs incurred by the fire district; (8) I have not been able to locate the minutes of either a "regular" or "executive session" meeting of the Board of Commissioners authorizing the fire district to pay the former retired Fire Chief's health insurance coverage costs.

I recommend that the fire district not pay any postretirement benefits, including but not limited to health insurance coverage costs, without there first being in effect a formal plan covering these benefits and adopted by resolution of the Board of Commissioners at regular meeting.

Management's Response and Plan of Corrective Action: The Board, through its own review of this issue, fully agrees with the findings as presented. The Board did not authorize said health insurance payments, but has concluded from its findings that payments were made by office staff personnel due to their lack of understanding of COBRA and the agent's failure to insure that the paperwork sent in was correct. In order to eliminate such problems occurring in the future, the Board Chairman must now approve any and all payments greater than \$5,000. Additionally, the Insurance Committee of the District is currently negotiating with carriers for retirement(postemployment) insurance. A retiree insurance policy will be created prior to instituting retiree insurance.

Anticipated Completion Date: Immediately.

Status of Completion: Resolved.

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Section II - Financial Statement Findings (Continued)

Finding No. 12 (Hiring of Legal Counsel)

Finding Described and Recommendations: I have not been able to acquire a written copy of the formal resolution of the Board of Commissioners authorizing the hiring of the fire district's present legal counsel. Also, I have not been able to acquire any records which would indicate that the Louisiana Attorney General's office formally approved the appointment, by the St. Tammany Parish District Attorney's Office, of the fire district's present legal counsel in accordance with Louisiana revised statute 42:263, assuming this statute is even applicable.

Whether or not this has any bearing on the specific attorney/client relationship and contractual agreement for legal services between legal counsel and the fire district is outside the scope of my services here as an auditor, and should be a matter for legal review and interpretation by the Louisiana Attorney General's office and the St. Tammany Parish District Attorney.

For all future legal services performed by an attorney who is hired by the fire district, I recommend that there should be a written contractual agreement between the attorney and the fire district. This agreement and any subsequent amendments should be approved at a regular meeting by a resolution of the Board of Commissioners of the fire district. If the St. Tammany Parish District Attorney appoints an attorney from his office as the fire district's legal counsel, I recommend that the Board of Commissioners pass a resolution at a regular meeting accepting that appointment.

Finally, I suggest that an opinion be requested from the Louisiana Attorney General's office on the Board of Commissioner's responsibility to comply with R.S. 42:263, or any related statute, and the process and procedure it must follow before, during, and after obtaining general or special counsel.

Management's Response and Plan of Corrective Action: Management objects to the findings described as being outside of the scope of the audit. It is clear that R.S. 42:261A mandates that the District Attorneys of the 22nd Judicial District shall be regular attorneys and counsel for the parish governing authorities and every State Board of Commission domiciled therein without extra

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Section II - Financial Statement Findings (Continued)

Finding No. 12 (Hiring of Legal Counsel - Continued)

compensation from the State. It is clear that the Attorney General does not approve any of the appointments made as legal counsel to fire districts by the several District Attorneys.

R.S. 42:263 is a statute which requires approval of any special counsel. This type of counsel would be by type usually labor, finance or personnel experts who do work for the fire district on an ad hoc basis and would necessarily be approved by the Attorney General.

The fire district's attorney was appointed by this Board prior to 1994.

Anticipated Completion Date: There is nothing to complete. It has already been accomplished.

Status of Completion: Not completely resolved.

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Section II - Financial Statement Findings (Continued)

Finding No. 13 (Hiring of Additional Legal Counsel)

Finding Described and Recommendations: From July, 2000 to December, 2001 the fire district paid for the legal services provided by an attorney without the approval of the Louisiana Attorney General's office in accordance with Louisiana revised statute 42:263. This attorney was not the fire district's regular attorney. The total amount paid of \$3,862.10 over this period of time is immaterial to the financial statements, however, the district may not have followed Louisiana revised statutes as they pertain to the hiring and retention of legal counsel.

I recommend that for all future legal services performed by an attorney who is hired by the fire district, a written contractual agreement between the attorney and the fire district should be executed. This agreement and any subsequent amendments should be approved by resolution of the Board of Commissioners of the fire district at one of its regular meetings. As applicable, and in accordance with Louisiana laws, the St. Tammany Parish District Attorney and/or the Louisiana Attorney General's office should approve the contractual agreement.

Management's Response and Plan of Corrective Action: Unfortunately, it is true that the Board of Commissioners in July 2000 hired a labor attorney with regard to claims of sexual discrimination by the Board. The Board should have had approval from the Attorney General's office which it did not get. The corrective action will be not to hire any counsel without Attorney General approval.

Anticipated Completion Date: Immediately.

Status of Completion: Resolved.

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Section II - Financial Statement Findings (Continued)

Finding No. 14 (Donation of Public Property)

Finding Described and Recommendations: Approximately four years ago, the fire district violated article 7, section 14 of the Louisiana Constitution of 1974 when it loaned a 1981 Ford, 1250 gallon fire engine to fire district No. 12, and it did not properly surplus the equipment first. Before it donated the fire engine to fire district No. 12, fire district No. 1 should have first formally surplused the truck by resolution of the Board of Commissioners in a regular meeting in accordance with article 7, section 14(E) of the Louisiana Constitution of 1974.

Up until June 4, 2002, Fire District No. 1 has been paying for insurance coverage on this fire engine. Fire District No. 12 also has been paying for insurance coverage on this fire engine for the last three years. The insurance carrier has agreed to refund to Fire District No. 1 the last two years of insurance premiums on the duplication of insurance coverage.

At its June 4, 2002 regular meeting the Board of Commissioners voted to surplus the 1981 Ford fire engine and also to donate it to St. Tammany Fire Protection District No. 12. The actual transfer of title of the fire engine occurred on July 15, 2002. In addition, fire district No. 1 has canceled their insurance coverage on that fire engine.

I could not find any written records concerning the action taken by the fire district on the other vehicles mentioned in the letter dated February 8, 2002 from the individual making the allegations. I was told by the current fire chief that these situations could have occurred over approximately thirteen to sixteen years ago.

The fire district should also establish and follow written policies and procedures requiring authorization by the Board of Commissioners for the release or loan of any physical asset from its care and custody to any outside entity. This could be accomplished by the use of "cooperative endeavor agreements," as long as they are in accordance with Louisiana state laws.

Management's Response and Plan of Corrective Action: The method of surplusizing the vehicle and donating it to Fire Protection District No. 12 was faulty. Additionally, no insurance should have

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Section II - Financial Statement Findings (Continued)

Finding No. 14 (Donation of Public Property - Continued)

been carried on the vehicle once it became the property of Fire Protection District No. 12. The process is now changed and any property that becomes surplus will be declared surplus legally and donated to another Fire District according to law.

Anticipated Completion Date: Immediately.

Status of Completion: Resolved.

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Section II - Financial Statement Findings (Continued)

Finding No. 15 (Unauthorized Expenditure of Public Funds)

Finding Described and Recommendations: In December, 1999 the Fire District paid \$146,055.07 of the actuarial accrued liability on the retirement account balances of three of its administrative employees.

This issue began with the merger in accordance with the amendment of Louisiana Revised Statute 11:2260(A)(11)(f)(i) of the retirement account balances held at the Parochial Employees' Retirement System for all the Fire District's civil service employees to the Firefighters' Retirement System, with the exception of the three administrative employees (non-civil service) mentioned in this allegation. The funding requirements of this merger were outlined in LARS 22:1419. This statute established a special fund which provided for the additional funding needed by the eligible civil service employees of the Fire District in order to be accepted into the Firefighters' Retirement System. The only employees initially left out of the merger were the three administrative employees (non-civil service). Subsequently, LARS 11:2260(A)(11)(f)(i) was amended to allow any full-time administrative employee to participate in the merger, but not at the expense of the retirement system or the special fund that was established in LARS 22:1419(A). This gave the three administrative employees a window of opportunity, however funding would need to come from a combination of the transfer of their individual employee and employer contribution balances with the Parochial Employees' Retirement System and accrued interest to date on their account balances (\$174,466.97), plus any additional amount of funding needed to cover the required actuarial accrued liability for the three administrative employees as a group. The additional amount needed was \$146,055.07, and the Fire District paid it on behalf of the three administrative employees. This amount was not separated into employee and employer portions.

I requested from the Fire District any and all excerpts from the minutes of the Board of Commissioners' meetings that would document when a resolution of the Board was passed authorizing the expenditure of the \$146,055.07 on behalf of the three employees. The Fire District could not locate any documents showing that the Board of Commissioners approved this transaction by resolution at one of its regular meetings.

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Section II - Financial Statement Findings (Continued)

Finding No. 15 (Unauthorized Expenditure of Public Funds -
Continued)

In addition, I am not certain that the \$146,055.07 payment is acceptable in accordance with Louisiana law as it pertains to the expenditure of public funds for the benefit of these three employees. However, article 7, section 14(B)(2) of the Louisiana Constitution of 1974 states that "... nothing in this section shall prevent contributions of public funds to pension and insurance programs for the benefit of public employees ...". This article may or may not apply in this particular case. In this regard, I suggest that an independent legal opinion be rendered on the legality of this issue giving consideration to all the issues surrounding and leading up to the actual payment of these funds by the Fire District.

In the future, I recommend that the Fire District not expend any public funds which might be construed as being a violation of Louisiana laws without first getting an opinion from its legal counsel on the legality of the transaction. Also, the approval of these types of transactions must be adopted by resolution of the Board of Commissioners at one of its regular meetings.

Management's Response and Plan of Corrective Action: In various Board of Commissioners meetings minutes, the issue of incomparable retirement systems was discussed. The intention was, if membership in the Firefighters' Retirement System was not an option, to fund a supplemental retirement plan to attempt to make the Parochial Employees Retirement System equal to the Firefighters' Retirement System. The reason they were not included was advice they were not classified. Actually, they should have been included from the inception.

Since that time, specifically in 1999, legislation was passed that allowed membership in the Firefighters' Retirement System. The minutes from the August 19, 1997 and October 21, 1997 meetings reflect the Board's intention to have these 3 employees merge into the new system.

Anticipated Completion Date: Already addressed.

Status of Completion: Not completely resolved.

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

KEITH J. ROVIRA

CERTIFIED PUBLIC ACCOUNTANT

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners

St. Tammany Parish Fire Protection District No. 1

A Component unit of the St. Tammany Parish Council

Slidell, Louisiana

I have audited the general purpose financial statements of the St. Tammany Parish Fire Protection District No. 1, a component unit of the St. Tammany Parish Council, as of and for the year ended December 31, 2002, and have issued my report thereon dated July 25, 2003. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As a part of obtaining reasonable assurance about whether the St. Tammany Parish Fire Protection District No. 1's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed two instances of material noncompliance to be reported under Government Auditing Standards, and are described in the accompanying Summary Schedule of Prior Audit Findings and Corrective Action Plan for "Current" Year Audit Findings as Finding Nos. 3 and 4.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the St. Tammany Parish Fire Protection District No. 1's internal control over

financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operations that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect the St. Tammany Parish Fire Protection District No. 1's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying Summary Schedule of Prior Audit Findings and Corrective Action Plan for Current Year Audit Findings as Finding Nos. 1 and 2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I considered all of the reportable conditions referenced to above to be material weaknesses.

This report is intended solely for the use of management and the State of Louisiana Legislative Auditor and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the State of Louisiana Legislative Auditor, is a matter of public record.



Keith J. Rovira
Certified Public Accountant

July 25, 2003